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ABSTRACT

This unit on promoting a small business, the 13th in a series of 18 modules, is on the second level of the revised PACE (Program for Acquiring Competence in Entrepreneurship) comprehensive curriculum. Geared to advanced secondary and beginning postsecondary or adult students, the modules provide an opportunity to learn about and try out entrepreneurship ideas so that students can make a preliminary assessment of how these ideas relate to personal needs. The units on this level contain detailed explanations of small business principles, suggestions on how to find information and use techniques, and encouragement for creating a future business. Students completing this unit should be able to perform these competencies: (1) develop promotional objectives, (2) describe advertising and sales promotional techniques, (3) identify cost factors in the selection of alternative promotional methods, (4) identify sources of promotional assistance and information, and (5) identify the objectives of a public relations program. The unit is organized into five sections. Following a preliminary section on how to use the unit (with vocabulary and a review of the objectives for this topic on level 1), the unit's information is presented in question-and-answer format. Individual and group activities, an assessment to be completed with the teacher, and sources used to develop the unit follow. A list of the modules of Revised PACE, Level 2 completes the unit. (KC)

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PACE
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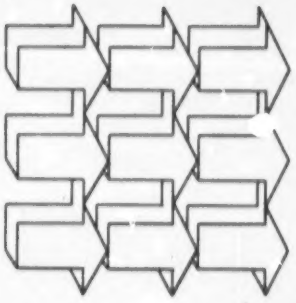

UNIT 13

☐ Level 1
☑ Level 2
☐ Level 3

Promoting the Business

Developed by M. Catherine Ashmore and Sandra G. Fritz

You will be able to:

- **Develop promotional objectives.**
- **Describe advertising and sales promotion techniques.**
- **Identify cost factors in selection of alternative promctional methods.**
- **Identify sources of promotional assistance and information.**
- **Identify the objectives of a public relations program.**

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BEFORE YOU BEGIN. . .

1 Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Level 1:

   - Define the concept of promotion
   - Compare the major methods of promotion used by small businesses
   - Describe the relationship between promotion and other business decisions
   - List the decisions that must be made when completing a promotional plan
   - Justify the importance of a public relations program for a small business

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

advertising agency	pioneering advertising
comparative advertising	product advertising
competitive advertising	promotional objectives
institutional advertising	trade sales promotion

PROMOTING THE BUSINESS

WHAT IS THIS UNIT ABOUT?

Business people can adjust four elements of the marketing mix to satisfy customer needs. Those elements are the product, the location of the product (place), the price, and promotion. Promotion is different from the other three. It is used to inform potential customers about the other three mix elements and how those elements can satisfy needs. The goal of promotion is to provide the necessary information so customers will buy the business' products/services and will be satisfied with their purchase.

A businessperson must collect information to make good promotional decisions. Information is needed about customers, competitors, and the company's product.

Customers
Who are they?
What needs are they trying to satisfy?
What are their buying motives?
What information about the product do they have?
What additional information do they need?
What sources of information do they use?

Competitors
Who are they?
What products do they offer?
Who is in their target market?
What is their marketing mix?
What are their strengths and weaknesses?

Product
What is our marketing mix?
What are our strengths and weaknesses?
What are our marketing objectives?

WHAT INFORMATION DO CONSUMERS NEED?

Once the information has been collected, the promotional planner can decide *what* to communicate to customers and *how* to communicate that information. Customers need several types of information as they make a purchase. First they need to be informed of products and how the products can satisfy needs. Next they must be persuaded that your brand of the product is better than others. Finally, after a purchase decision has been made, the customer needs to be reminded of your products to improve the chances of repeat purchases.

HAT ARE PROMOTIONAL OBJECTIVES?

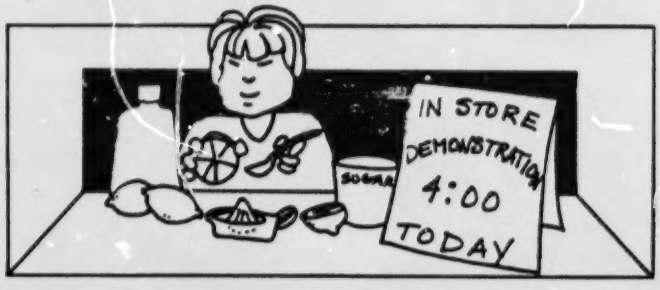
The business owner needs to identify what promotion needs to be accomplished. Then goals can be established so that the effectiveness of promotion can be determined. Promotional objectives should include three parts:

1. The people to be informed
2. The change or action expected from the consumer
3. A standard to measure effectiveness of promotion

Examples of promotional objectives are—

- to increase awareness of the store's location among men by 20 percent,
- to increase the number of first-time customers contacting the business by three each day,
- to increase the average sale amount by $2.50 through suggestion selling.

It may seem easier to develop objectives that are always measured by increases in sales or that apply to all prospective and current customers. The examples above show that objectives can be written to identify results other than sales. They also can be developed to communicate with specific groups of people.



When an entrepreneur carefully studies the consumers, competitors, and the business, different needs for promotion will be identified. Some people need basic information; others need specific technical assistance. Regular customers need much different information than first-time customers or people who regularly buy from competitors.

Developing specific written objectives encourages the business person to think about the type of promotion needed for different groups in the market. By developing objectives, it is easier to determine what activities are most important and when promotion is successful. The selection of methods, media, aand messages is also much more objective than if the planning had not been done.

HOW SHOULD SPECIFIC PROMOTIONAL DECISIONS BE MADE?

After promotional objectives have been developed, choices can be made about the best media and methods to use. Is newspaper or radio advertising better? Should you hire one more salesperson or put the money into a direct mail campaign? Can you rely on publicity to inform customers or should you go ahead and buy advertising?

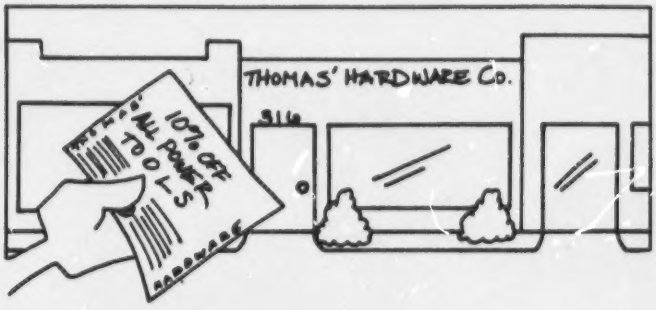
When a budget is developed for a business, a certain amount of money is usually set aside to be used for promotion. If no further budget planning is done, problems may occur. The newspaper ad salesperson suggests an ad in a special spring section of the newspaper. The high school yearbook needs to sell ads in order to pay printing costs. A part-time salesperson is hired to work two evenings each week and Saturdays. A specialty products salesperson

encourages you to buy pens with your business name and address printed on them. Before long, most of the promotional budget is gone and it is difficult to tell what effect any of the activities had on your business.

Promotional methods and media should be selected to get the greatest value for the money spent. Two criteria should be considered when evaluating methods and media. These are (1) the effectiveness of each option in accomplishing the task, and (2) the cost of each option in getting the information to consumers.

Each promotional method or media has particular strengths and weaknesses. Advertising can reach more people at a lower cost than personal selling. Radio is a more flexible medium than television. Personal selling is more persuasive than other methods. After a businessperson has identified the promotional task to be accomplished, each method and medium should be evaluated. Determine which types of media can accomplish the task.

Promotion is used to accomplish several different types of goals for a business. If a new business is about to open, advertising can be used to inform people of a grand opening. If a person has just purchased a product, a salesperson can suggest related items to the customer. If customers seem to be switching to a competitor's brand, sales promotion can be used to provide a special incentive to those people. All these activities could be going on in the same business at the same time.



The specific characteristics of personal selling are described in detail in another unit in this series. Advertising and sales promotion methods give the entrepreneur many choices in developing the promotional mix element. They are described next.

WHAT ARE THE OBJECTIVES OF ADVERTISING?

The two broad uses of advertising are to draw in new customers and to remind the old ones of your business. In order to achieve these objectives, good advertisements must do what good salespeople do—lead the customer through four basic buying steps.

The first step is that the advertisement must get the *attention* of the desired audience. Once the attention is attained, the ad must hold the customer's *interest*. Next, by holding the customer's interest the advertisement must create a *desire* for what is being advertised. Finally, the advertisement must induce the customer to *act*, or come to your business to buy what is being advertised.

In planning your advertising program, however, you must remember that advertising is not a "cure-all." There are a number of things that advertising *cannot* do.

Advertising cannot make a business prosper if the business offers poor products or does not provide good service. It cannot lead to increased sales if the customers it *does* bring in are ignored or treated poorly. It cannot increase your business' performance overnight, or increase sales with a single ad. Finally, it will not build confidence in the business if the information it contains is untruthful or misleading.

In light of such restrictions, your next question may well be "What *can* advertising do for my business?" Use advertising in the introduction of new products to specific markets. Use it to help

expand new or existing markets. Use it to sell your company's "image," and to increase your customers' satisfaction with their purchases.

Think about these "cans" and "can'ts" when you set your advertising objectives. Keep your objectives reasonable. When you ask yourself "What do I expect of this ad?" the answer should be in the list of "cans" mentioned above. If it isn't, you'll probably be disappointed by the results.

WHAT TYPE OF ADVERTISEMENTS ARE AVAILABLE?

Depending on what is being promoted, advertising can be classified into one of two categories—*institutional* advertising and *product* advertising. Institutional advertising promotes the total business' image. Product advertising promotes specific goods and services. Some advertisements contain both institutional and product advertising.

There are several different types of product advertising. If the business is the first to carry or introduce a product, the business uses *pioneer advertising.* Pioneer advertising informs people about what a product is, what it does, how it is used, and where it can be purchased.

Competitive advertising is used when the entrepreneur wants to build or hold public demand for the firm's specific product or services. This type of advertising will point out the special uses, features, advantages, and customer benefits of the product or service offered by that business.

Comparative advertising occurs when the specific features of two or more brands, products, or services are compared.

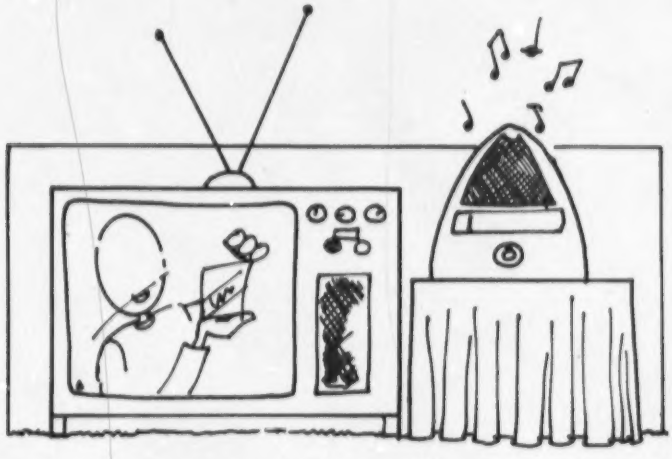
WHAT TYPES OF MEDIA ARE SUITABLE FOR SMALL BUSINESS ADVERTISING?

Advertising media can be grouped into four general types: print media, broadcast media, outdoor advertising, and direct mail.

Print media for the small business traditionally includes newspapers, advertisements in the yellow pages of the telephone directory, and

magazine ads. For the small business owner, newspapers and the yellow pages are good choices because they are inexpensive and reach wide audiences. Magazine ads, on the other hand, are usually quite expensive and reach only a limited portion of the businesses' customers.

Broadcast media includes both radio and television. Both are good methods for the small business owner to use. Because of the high cost of national-level broadcast ads, however, you'll probably want to stay with advertisements run by the local stations.



Outdoor advertising includes billboards, signs, and transit advertising on buses, trains, and cabs. If your area has a subway or train system, you might also want to consider putting advertisements up at neighborhood stations.

Direct mail includes printed materials that are sent to customers. These materials include handbills, circulars, coupons, letters, brochures, and catalogs.

WHEN SHOULD NEWSPAPERS BE USED?

Approximately 90 percent of the families in the United States read newspapers on a daily basis. Different members of the family also read different sections of the newspaper. Because of these facts, advertisements can be scattered throughout all sections of a newspaper in order to attract the interest of specific customers. Are you trying to sell a new type of baseball bat? Put the ad in the sports section. Does your product appeal to family needs? Put the ad in the home section. Trying to sell a business service? Put the ad in the financial section.

In addition to being versatile, newspaper ads can be quite simple to prepare. In most cases, it will only take a few hours to prepare the material for a basic newspaper ad.

For many years, newspapers have consistently been the leading form of mass media advertising. In addition, newspapers are also the leading advertising medium for small business owners. Here's why.

- Readers expect to find advertising in newspapers.
- Of adults age twenty-one and over, 78 percent read a paper daily.
- In one week's time, newspapers reach an accumulated 94 percent of all adults eighteen years of age and older.
- Newspaper advertising is the most popular part of the paper for women, and the second most popular part for men.
- Newspaper reading habits stay consistent throughout the year.

Despite all these advantages, however, newspapers do have some weaknesses. These include—

- the lack of a selective audience. Advertisers who want to appeal to specific customers by age, sex, or occupation will have much waste readership. Some specialized newspapers can overcome this problem. Using the correct section of the newspaper also helps to reach the correct audience.
- the mechanical or production limitation of newspapers. Most newspaper presses can accept color advertisements, but it is usually very expensive and of poor quality. Many newspapers will accept high quality, color advertising inserts.
- communication limitations of newspapers. Newspapers depend entirely on sight or "visual" communications. Sight communication is often thought to be the least effective of all forms of communication.

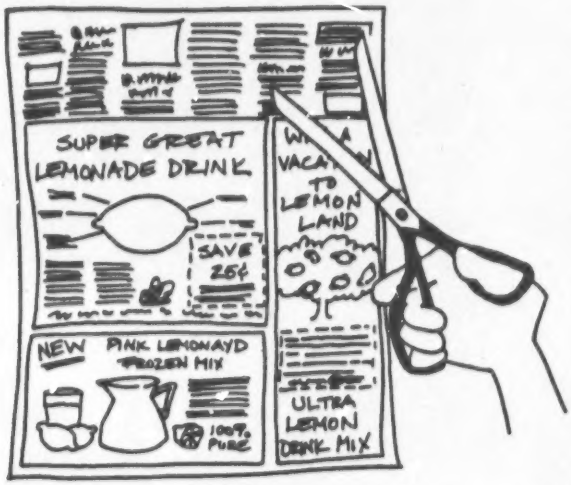
WHAT ARE SOME OF THE THINGS TO THINK ABOUT WHEN ADVERTISING IN NEWSPAPERS?

Before you decide to advertise in a newspaper, think about your needs carefully. If there is more than one paper in your area, which is the best one for your ad? Are all of them suitable? Should you advertise in more than one? Think about some of the following considerations before you place an ad.

Area covered by the newspaper. How big is the particular market that you want to reach? Does the newspaper's circulation cover this market?

Size of the area covered by the newspaper. What is the actual geographic size of the newspaper's circulation? Will your potential customers have to travel a long distance to take advantage of your ad?

Reader characteristics. Are the paper's readers the type of people who will buy your product? Do they have the income to afford your product? What parts of the paper do your potential customers read the most?



HOW MUCH DOES NEWSPAPER ADVERTISING COST?

Last but not least, think about the cost of newspaper advertising. While the per person cost of newspaper ads is low compared to other types of advertisements, large newspaper ads (full or half page) can sometimes get quite expensive. The cost of advertising in your local paper will vary according to factors such as the size of the paper, its location, the readers it serves, and the amount of advertising it usually carries. Check with the paper's business advertising department for specific rates. Also consider the total number of your customers reached (rather than the total circulation of the newspaper) when calculating costs.

WHEN SHOULD YOU USE AN AD IN THE YELLOW PAGES?

The yellow pages of your telephone directory are another inexpensive, effective place to advertise. Because of the almost universal use of telephones, the yellow pages are the one medium that offers a high level of market coverage. You can choose to advertise only in your local directory, or to advertise in any of the directories that are published in any location.

The yellow pages are considered to be a rather unique advertising tool. They are used to direct customers who have already decided to buy a product to the place where they want to buy it. They also have a long life span. Unlike most other advertising media, the yellow pages are usually published only once a year. Because of this relative "permanence," most consumers use the yellow pages and they use them often with confidence. Since directory ads last a long time be sure that the information is correct before the directory is printed.

WHEN SHOULD SMALL BUSINESSES USE MAGAZINE ADS?

Magazines reach both general audiences and special interest readers. A magazine is rarely read all at one time, so an advertisement may be seen several times before the publication is discarded. The quality of magazine advertising is very high, and readers are usually quite interested in its contents.

Despite these advantages, however, magazines are not usually a good place for small businesses to advertise. Your ad copy usually has to be submitted many weeks in advance, and in that amount of time your products or prices may change greatly. In addition, the size of a

magazine audience may vary from several thousand to several million people—thus your "per reader" cost could be quite high. Think carefully before you decide to use magazine advertising.

WHY SHOULD RADIO BE USED FOR ADVERTISING?

Unlike newspapers, magazines, or the yellow pages, radio is considered to be a "live" medium. It appeals to the sense of hearing—not the sense of sight. Yet the customer can "see" your product through his or her imagination.

Radio is also one of the most popular types of media in the United States. Nearly 336 million sets are in use across the country. People can listen to the radio at almost any time and in almost any place—in the home, in the car, or at work. More than 100 million radios were sold in the last two years—a figure that is more than the total number of television sets sold in the past eight years and that is more than the combined circulation of all daily newspapers in the country. As you might imagine, radio offers great advertising versatility to the small business owner.

WHAT ARE SOME OF THE ADVANTAGES OF USING RADIO?

Radio's huge listening audience is the first advertising advantage for the small business owner. Probably every one of your customers listens to a radio at some time. But there are also a number of additional advantages to think about.

Today, there's a radio station for almost every kind of musical taste—rock, pop, country, jazz, talk, or news. With such variety, it's easy to find a station that appeals to your particular market audience. You also have a great deal of choice in how you design your radio ad. You might choose to have a ten second spot that supplements one of your newspaper ads. You also have the option of running a more detailed ad—one that runs up to sixty seconds. Either way, your advertising costs for each ad will probably be low.

WHAT ARE SOME OF THE DISADVANTAGES OF RADIO?

There are some reasons, however, why radio might not suit your advertising needs. First of all, remember that writing good radio ads isn't easy—it takes a very skilled writer to describe a product or service that someone can't see. Also remember that once your customers hear your ad, they can't review it or look for additional information as they can with print advertising. The only thing they'll know about your product is what they can remember.

A third disadvantage is that because radio is often used as a background activity for reading, working, or driving, your customers might not be listening carefully all the time. Your ad will probably have to overcome a lot of distractions to be heard. Finally, it's easy for customers to miss your ad completely—all they have to do is turn the radio off or switch to another station.

WHY CHOOSE TV ADVERTISING?

Television is a unique advertising medium that can capture your customer's attention through person-to-person salesmanship. It appeals to the senses of both sight and sound. It is also a medium that is highly popular in the United States. As of 1980, 98 percent of all homes were equipped with televisions. Many homes have several sets.

The combined effects of sight, sound, and motion give television its most important advantage. You can include one or several selling ideas in a TV ad. You can actually demonstrate your products or services—not just describe them. There are many types of commercials to choose from, including—

- the "presenter" style—an announcer, actor, or actress presents the product to the viewer on a direct, person-to-person basis;
- the "playlet" style—the product is presented in a dramatized or "actual use" situation;
- the "sing and tell" style—the product is described through a song;
- the "testimonial" style—a current customer tells the advantages and benefits of the product;
- the "animated" style—a series of cartoon drawings that are often used to describe products.

WHAT ARE THE DISADVANTAGES OF TELEVISION ADVERTISING?

The single greatest disadvantage of television advertising is its cost.

Television advertising costs are based on the expected number of viewers who will see the commercial. Therefore, the larger the audience you want to reach, the more it will cost. Commercials run during the annual Super Bowl football game are a good example. Because this event always attracts a large number of viewers, one-minute of commercial time costs about $360,000. As you might imagine, large-scale television advertising is usually out of the small business owner's reach.

Although local TV advertising isn't quite so expensive, the same rules apply. If you want to run your ad during peak viewing hours, you'll reach a larger audience but it will cost you more. Think about your advertising needs in terms of your advertising budget. Would it be more effective to run a commercial at a time when there are fewer viewers but the cost is lower? Many small business owners think it is. That's why you might see a lot of small business advertisements during the local late night movie.

WHY USE OUTDOOR ADVERTISING?

Outdoor signs are one of the oldest forms of business advertising. P.T. Barnum was a great user of outdoor advertising. His circus posters and patent medicine ads could be found on buildings all over the country. Since our society is highly mobile, outdoor advertising is still a popular and effective way to advertise. Instead of using posters, however, today's outdoor ads usually consist of billboards, highway signs, and electric signs.

WHAT KINDS OF OUTDOOR ADVERTISING ARE AVAILABLE?

Outdoor advertising doesn't have to be limited to signs and billboards. You might want to consider transit advertising—where your ad consists of a sign mounted on a bus, train, cab, or other public transportation vehicle. Some companies even pay private car owners for the right to paint advertisements on their vehicles. You might also consider placing ads at some of your city's transportation centers—airport terminals, train stations, bus stations, and so on.

WHAT ARE THE ADVANTAGES OF OUTDOOR ADVERTISING?

For the small business owner, outdoor advertising has several advantages. If you decide to use a billboard, for example, your ad will be impressive to the customer simply because of its size. With the widespread availability of outdoor advertising, you can also repeat the same message in several different locations. Your message will be viewed repeatedly as people drive past the location regularly.

WHAT ARE THE DISADVANTAGES OF OUTDOOR ADVERTISING?

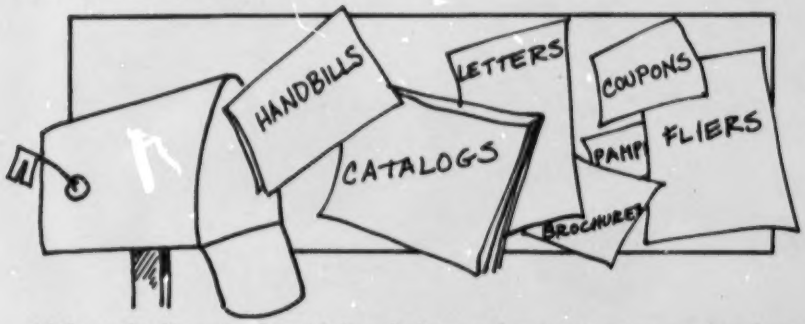
Before you decide to use outdoor advertising, consider these factors:

- Outdoor advertising can be expensive.
- Since you can't have many words on a sign, you need an effective "selling" message.
- There are many distractions that keep people from seeing outdoor advertisements.

Before you decide to use this form of advertising, check with a local billboard or sign company. Compare the cost of this advertising with the number of customers you might reach. Also be sure to compare the cost to that for ads in the newspaper or on radio or television.

WHAT IS DIRECT MAIL ADVERTISING?

Direct mail takes the form of handbills, coupons, letters, and catalogs. If you have a good mailing list, you can easily target your information to specific groups of customers. There's less competition for your message than with other forms of advertising. The ad copy can be simple or elaborate, in black and white or in color. As with other types of advertising, you can choose to prepare your own copy or hire an advertising agency.



WHAT ARE THE ADVANTAGES OF DIRECT MAIL ADVERTISING?

Although direct advertising is becoming more expensive because of rising postal rates, direct mail may still be an efficient advertising method for your company. The Direct-Mail Advertising Association, Inc., lists some of the following benefits of direct mail advertising:

- Messages are direct and personal—they are placed directly in the hands of the customer;
- Your messages don't have to compete for the customer's attention;
- Your messages can be timed to reach customers when they have just gotten paid, have extra money to spend, or are in need of certain seasonal items.
- Your message can say as little or as much as you like;
- Your message can effectively combine words and pictures to increase the impact of the message.

WHAT ARE THE DISADVANTAGES OF DIRECT MAIL?

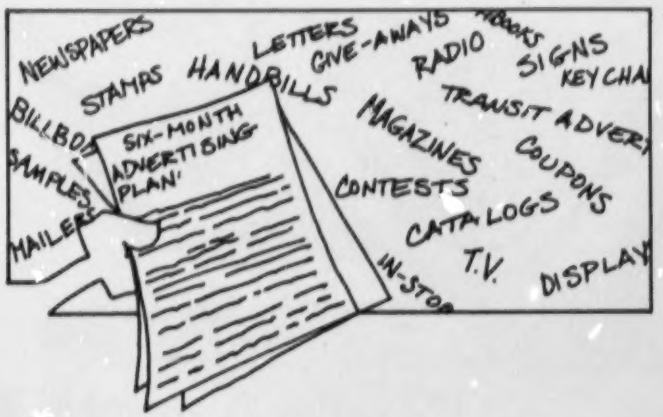
As with other forms of advertising, you'll have to judge the value of direct mail advertising in light of costs and values. People don't always read direct mail. You may want to mail your materials first class, but this type of mail is becoming extremely expensive. You may need to buy your mailing lists from an outside company, and you'll have to be sure the lists are accurate and up to date. In addition, direct mail is often considered an impersonal way of advertising: your customers may get turned off by items that appear to be "junk mail."

WHAT ARE THE TYPES OF SALES PROMOTION?

A number of sales promotion techniques are available. These are grouped into two main categories: consumer and trade. *Consumer* sales promotion techniques encourage customers to patronize a certain retailer or purchase a certain product. *Trade* sales promotion techniques are designed to encourage wholesalers and retailers to carry specific products.

Consumer Sales Promotion Methods

A variety of consumer sales promotion methods are used. They include coupons, demonstrations, trading stamps, point-of-purchase displays, novelty items, samples, premiums, and contests and sweepstakes.



- Coupons are effective if the price of the product is a primary customer motivation. They are usually "cents-off" coupons. The primary purpose of coupons is to bring customers into the store.

- Demonstrations in retail stores are often used by manufacturers. They can be excellent attention-getters in a store, and can also provide useful product information to the consumer.

- Trading stamps are given to customers when they purchase in certain stores. Stamps are to consumers if the price of the store's products is still reasonable. Some customers feel that the products they purchase with stamps are real values.

- Point-of-purchase displays are built where the merchandise is located. They include window displays, counter pieces, display racks, and self-service cartons. The purpose is to show the merchandise in a way that encourages customers to buy.

- Novelty items are give-away materials such as pens, pencils, calendars, balloons, key chains, matches, and so on. These are novel ways to attract attention by giving the customer a small gift. The items also serve as reminders of the firm every time the customer uses the item.

- Samples are often used to increase sales volume for new products. If customers receive a sample and like it, they will often encourage retailers to stock the product.

- Premiums are additional products offered free or at a reduced price to encourage a customer to buy the promoted item.

Contests and sweepstakes can also be used to promote products. Contests usually require some skills, and entries are judged on the ability of the contestant to compete in the contest. Sweepstakes, on the other hand, are based on chance alone. All participants have an equal opportunity to win through a drawing. Contests and sweepstakes can build excitement and interest in a business. There are several legal restrictions on the use of contests and sweepstakes.

Trade (Industrial) Sales Promotion Methods

Manufacturers use these methods to encourage wholesalers or retailers to stock their products and promote them effectively. Several methods are used, including buying credits, buy-back allowances, free merchandise, cooperative advertising, push money, sales contests, and dealer loans.

- Buying credits and buy-back allowances reduce the retailer's risk levels. With buying credits, the retailer is allowed credit if a certain quantity of a product is purchased. With buy-backs, the manufacturer agrees to buy back merchandise that is not sold after a certain period of time.

- Premiums used in trade promotions are similar to those in consumer sales promotions. They are incentives to buy a certain amount of a certain product. Two types of premiums are used in trade sales promotion. One type includes items that are provided for the reseller's personal use such as cameras, small appliances, and luggage. The other type is an item that is given to the reseller, but that the reseller can sell to customers at a profit.

- Push money (PM) is extra money that is given to the reseller's salespeople for selling a particular amount or type of merchandise. Many producers have found the use of PMs more effective than a reduction in the price of the article.

- Advertising allowances (sometimes called promotional allowances) encourages the reseller to promote a particular item. The allowance provides the reseller with financial assistance whenever the product is promoted.

WHAT IS SPECIALTY ADVERTISING?

A specialty item is a useful item that is imprinted with the name of the manufacturer or distributor. Other information about the firm is sometimes included. The items are given free to customers and prospective customers with no obligation. It is estimated that American businesses spend over one billion dollars annually for specialty advertising.

Some of the advantages of specialty advertising include that—

- specialty advertising may be used effectively to introduce new products, attract new customers, and create goodwill;
- specialty items are useful and valuable items; therefore, the advertising message on these items is read over and over;
- because specialty items are valuable, the advertising they contain is more readily accepted.

If you decide to offer specialty items to your customers, select something unusual. Your customers will find these items of greater value and will probably use them more often. Also try to select an item that is related to your business. This way the item will continually remind the customer of the materials and goods they can purchase from you.

HOW COST-EFFECTIVE ARE THE PROMOTIONAL ALTERNATIVES?

When the methods and media that can accomplish the promotional task have been identified, the cost of the choices can be compared. A good basis for comparison is the cost per person reached. If a newspaper advertisement will be read by 50,000 people, divide the cost of the advertisement by 50,000 to determine the per person cost. Then it can be compared to the per person cost of a radio advertisement or direct mail efforts.

Per person costs need to be determined by the number of people that the business actually wants to reach who see the promotion. That is usually different than the total number of people exposed to the promotion. In the example shown above, 50,000 people were expected to read the newspaper ad. However, the business wanted to reach teenagers, and only 3,000 teenagers read the newspaper. In this case the per person cost would be much higher than originally thought. The costs of some media and methods may seem to be very low if all people reached are included. But if some of the people are not prospective customers of the business, the costs will actually be very high.

The final decision about the type of promotion for a business to use should be based on three factors:

- the effectiveness of each choice in accomplishing the promotional task
- the per person cost of each choice
- the total promotional budget available

Small business people will not have the time to do all of the work needed for effective promotion. Also most entrepreneurs do not have the necessary skills to develop promotion that will compete with those professionally prepared in larger companies.

WHAT ARE SOME SOURCES OF PROMOTIONAL HELP?

There are many sources of promotional help for the small business owner. Sales representatives from newspapers and radio and television stations will be happy to provide information on both the cost of their medium and the kind and number of people it reaches. In addition, they can usually offer technical assistance in writing and preparing advertisements.

Manufacturers and wholesalers will often provide you with technical assistance in order to improve the promotion of their products. They may have cooperative advertising arrangements in which they will share the cost of an advertising program with you.

You might also look for help from specialty products salespeople or from staff members at colleges, universities, and technical colleges.

WHAT ABOUT USING THE SERVICES OF AN AD AGENCY?

Advertising agencies are perhaps the most well-known sources of promotional assistance. But give your decision to use an ad agency careful consideration. Decide first if an agency could do a more effective and efficient job than is possible in other ways. If you decide you do need agency help, choose the agency carefully.

Be sure to choose an agency that—

- doesn't already have an account for a product or service that is similar to yours. If they do, you'll be in direct competition with the merchandise of another company. Professional agencies will not usually accept clients with competing products.
- obtains your permission before advertising contracts are established or money is spent. It's your money—know exactly what needs to be spent and how it's going to be spent. If you don't, you may suddenly find that your advertising costs exceed your advertising budget.
- keeps you informed of all media discounts. Many newspapers, radio and television stations offer discounts to advertisers who have their work done by an agency. Be sure to check if the agency gets these dicounts.

WHAT DO ADVERTISING AGENCIES DO?

The biggest advantage that advertising agencies have to offer you is time. They are specialists in areas such as marketing and communications. They know the advantages and disadvantages of each type of media. They are experienced in creating and producing effective advertising.

They employ people who are experienced in creating and producing effective promotional materials: They employ people who are specialists in areas such as marketing and communications. They employ people who know the advantages and disadvantages of each type of media. Because they have such skills and knowledge, they can usually design and implement a program faster than you could.

HOW MUCH DO ADVERTISING AGENCIES COST?

The cost of an advertising agency usually depends on the amount of work you need to have done. Most advertising agencies are paid on commission. These agencies receive the bulk of their compensation from advertising media rather than from advertisers. Advertising agencies pay for space and time used on behalf of advertisers at the "card rate" less a certain discount, usually 15 percent, and bill them at the card rate. The client pays for the costs incurred in preparing materials for the mechanical reproduction of advertisements. Advertising agencies are similar to management consulting and market research firms, except in the way they receive compensation.

You'll have to shop around—advertising fees vary greatly. As you're looking, don't forget to check into some of the possible media discounts you can get by having your work done by an advertising agency.

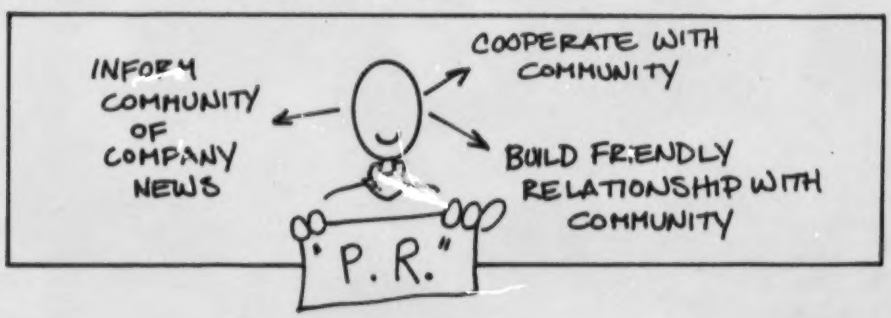
HOW CAN AN EFFECTIVE PUBLIC RELATIONS PROGRAM BE DEVELOPED?

Developing and implementing a public relations program completes the promotional program for a business. The area in which the entrepreneur locates the business as well as finds it customers affects the objectives of the public relations program. However, some common program objectives exist for every business. The company should try to—

- inform the community about its policies, operations, and problems. The company should also inform the community about its product or service, how many people it employs, the amount of its payroll, what it pays in taxes, what it spends locally, its community responsibilities, and what it contributes to local social and economic life.
- inform people connected with the firm of its operations and encourage them to talk about the company to their friends.
- correct misunderstandings and answer criticism of the company and its policies in an honest, objective, and positive manner.
- establish the company as an important part of community life through contributions to local institutions and participation in neighborhood affairs and activities.
- find out what members of the community think and say about the company, its policies, and operations.

- promote the welfare of the community by advertising its advantages and attractions to tourists and by promoting its resources and potential to attract new industry.
- gain the understanding of the community during labor controversies through a candid discussion of the issues involved and the company's position.
- get acquainted with the community by inviting local groups and leaders to meet with you and your employees to see how the firm operates.
- assist local schools by furnishing facilities, resource people, and equipment for training students.
- support community efforts to improve the quality of life in the community—for example, with parks, auditoriums and recreation programs, stadiums, and so on.
- promote community health by supporting local health programs, hospitals, and agencies.
- support local programs that gain the goodwill of both young and old citizens.
- aid local government in the improvement of public services and facilities.
- cooperate with other companies in the community in promoting a better understanding of business.

Generally speaking, the public relations objectives of a company are achieved by (1) informing the community of all company news which affects the citizens, (2) showing cooperation with community growth, improvement, and welfare, and (3) building a friendly relationship between the community and the company.



It is not always easy to achieve these objectives. However, developing a good public image must include establishing carefully defined and organized goals and developing the strategies which will best achieve the goals. Remember, good community relations are a very important part of a business's success.

ACTIVITIES

Do you feel you have developed a basic understanding of promotion and public relations? Will you be able to select the right media? The following activities will help you develop effective promotional strategies.

INDIVIDUAL ACTIVITY

Contact a newspaper, radio station, and television station to determine the costs of advertising for each medium. Prepare a chart comparing these costs.

INDIVIDUAL ACTIVITY

Develop a paper in which you compare the advantages and disadvantages of the various advertising media for a small business.

INDIVIDUAL ACTIVITY

Contact several business people to determine what types of trade sales promotion methods are offered to them by manufacturers.

INDIVIDUAL OR GROUP ACTIVITY

Tour an advertising agency or public relations firm to learn how they can assist businesses.

GROUP ACTIVITY

Collect examples of public relations activities in your community completed by small and large businesses. Determine if there are differences between small and large business public relations activities.

CASE STUDY

Sami Left had started a small part-time business in the basement of her home. She constructed frames for art prints and photographs. Frames were made from metal, wood, or plastic in any size or shape the customer needed. Sami would also mat the picture and cover it with non-glaze glass or plastic if the customer wanted that service.

Sami now feels the business has grown to the point where she can turn it into a full-time job. However, to do that, she will need to increase the amount of business by 33 percent. She feels she can do that with a planned promotional program rather than by word of mouth efforts used in the past. However, she needs help in planning the program.

Create several promotional objectives for the business and identify appropriate methods and media to implement the objectives.

ASSESSMENT

Directions: Read the following assessment questions to check your knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. List the three parts of a promotional objective and develop one example of an objective.

2. Discuss the strengths of four advertising media.

3. Differentiate between consumer and trade sales promotion methods and give two examples of each.

4. Illustrate how per person costs for alternative promotional methods should be determined and used in promotional planning.

5. Evaluate the advantages and disadvantages of an advertising agency to a small business.

6. List ten activities that a small business could include in a public relations program and describe why each activity would be valuable.

SOURCES USED TO DEVELOP THIS UNIT

U.S. Small Business Administration. *Profitable Community Relations for Small Business.* Small Business Management Series no. 27. Washington, DC: U.S. Government Printing Office, 1961.

Siegel, Gonnie McClug. *How to Advertise and Promote Your Small Business.* New York: John Wiley & Sons, 1978.

Everhardt, R.M.; Jones, Gerald E.; Kemery, Carl; Ray, J.E.; Talbert, Ed; and D'Ambrosio, Tony. *Small Business Advertising.* Columbus: Ohio Distributive Education Materials Lab, 1976.

For further information, consult the lists of sources in the *Resource Guide.*

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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